

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 1029

STATE OF NEW JERSEY

218th LEGISLATURE

DATED: JUNE 13, 2018

SUMMARY

Synopsis: Allows municipality to issue permits to sell alcoholic beverages in residential redevelopment areas.

Type of Impact: Annual State and Local Expenditure and Revenue Increase.

Agencies Affected: Department of Law and Public Safety; Department of Treasury; Municipal Government.

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
Annual State and Local Expenditure and Revenue Increase		Indeterminate	

- The Office of Legislative Services (OLS) finds that the bill will result in indeterminate increases in annual State and municipal revenues and expenditures. The OLS, however, cannot assess the direction of the net effect of the increases given the absence of information on the potential revenue collected from the sale of the total number of “special alcoholic beverage residential redevelopment district permits” annually, the future special permit fees, and sales tax on products sold. It is unknown if there will be additional revenues from penalty collections which would be offset by expenditures for increased regulation and enforcement and additional costs for the division’s and municipalities’ increased workload.
- The bill authorizes the Division of Alcoholic Beverage Control, in the Department of Law and Public Safety, to approve a municipality to issue the special permits, which have an initial fee of \$25,000 and an annual renewal fee of \$15,000. The bill may increase the division’s workload depending on the number of applications received to authorize the sale of the special permits. Depending on the board’s resource allocation policies, the added workload may or may not augment State administrative expenditures.
- The bill may increase the municipal revenue from the sale of the special permits and any annual renewal fees charged. These fees may offset the indeterminate increased costs to municipalities to administer, regulate, and enforce the annual licenses.

BILL DESCRIPTION

This bill allows for the issuance of permits to sell alcoholic beverages within the redevelopment district of certain municipalities that have adopted a Smart Growth Redevelopment Plan for the purpose of attracting residential development to transit hubs within and surrounding redevelopment districts. Specifically, the bill applies to cities of the second class located in a county of the first class with a population of greater than 40,000 but less than 49,000, according to the latest decennial census, which currently includes the municipality of Hackensack, New Jersey. Under the bill, a permit holder would be allowed to sell any alcoholic beverages for consumption on the premises by the glass or other open receptacle.

The bill allows a municipality to issue a special permit for every 100 residential dwelling units constructed prior to or following the bill's effective date in accordance with a redevelopment plan. Prior to issuing a permit, the municipality is required to file an application with the Director of the Division of Alcoholic Beverage Control (ABC) demonstrating that a certificate of occupancy has been approved for the required number of residential dwellings necessary to issue additional licenses.

The annual fee for the permit is to be \$25,000 for the first year of the permit's issuance and \$15,000 for each year thereafter. For 15 years immediately following the initial issuance of the permit, the fee is to be distributed to the eligible municipality (20%) and the other licensees in the municipality (80%). Following the initial 15 year period, the entire fee is to be distributed to the eligible municipality.

Under current law, a municipality may issue plenary retail consumption licenses until the combined total number in the municipality is fewer than one license for each 3,000 persons. Because of these restrictions, there is a shortage of licenses in some municipalities. This bill addresses this shortage by allowing an eligible municipality that has approved a redevelopment plan to issue permits to sell alcoholic beverages based on the number of newly constructed residential units.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will result in indeterminate increases in annual State and municipal revenues and expenditures. The OLS, however, cannot assess the direction of the net effect of the increases given the absence of information on the potential revenue collected from the sale of the total number of "special alcoholic beverage residential redevelopment district permits" annually, the future permit fees, and sales tax on products sold. It is unknown if there will be additional revenues from penalty collections which would be offset by expenditures for increased regulation and enforcement and additional costs for the division's and municipalities' increased workload.

State Revenue Impacts: The OLS anticipates that alcoholic beverage sales through these special permits may increase with additional locations to sell their products, thus increasing the amount of State sales tax collected.

State Expenditure Impacts: The bill may increase the division's workload depending on the number of applications received to authorize the sale of the special permits. Depending on the board's resource allocation policies, the added workload may or may not augment State administrative expenditures.

The OLS anticipates that any increased sales by special permits, may impact the workload of the Division of Taxation.

Municipal Revenue Impacts: The bill would increase the municipal revenue from the initial sale for the special permits and any annual renewal fees charged.

As noted above, the annual fee for the special permit is \$25,000 for the first year of the permit's issuance and \$15,000 for each year thereafter. After the first year, and for 15 years immediately following the initial issuance of the permit, 20 percent of the \$15,000 renewal fee is distributed to the municipality and 80 percent is distributed to plenary license holders in the municipality. Following the initial 15 year period, the entire fee is to be distributed to the eligible municipality. The OLS cannot determine the number of special permits that would be sold.

Municipal Expenditure Impacts: The bill may increase costs to municipalities associated with the administration, regulation, and enforcement of the new permits.

The OLS notes that these municipalities may employ additional law enforcement due to the increased cost of public safety, as there may be an increased need for enforcement of alcoholic beverage statutes and ordinances.

Section: Law and Public Safety

*Analyst: Kristin Brunner Santos
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).